

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 PER-05 FS-01 ABF-01 EA-07 /024 W

----- 061966

R 140420Z AUG 74

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 9187

C O N F I D E N T I A L SECTION 1 OF 2 KATHMANDU 3328

E.O. 11652: GDS

TAGS: AFSP, NP

SUBJECT: NEW LOCAL COMPENSATION PLAN

REF: STATE 173374

1. SUMMARY: REASONING AND CONCLUSIONS OF REFTEL STATING ANALYSIS OUR LOCAL SALARY SURVEY DOES NOT SUPPORT WAGE INCREASE NOT CLEAR TO POST.

2. AS WE UNDERSTAND IT, WHOLE POINT OF WAGE SURVEY IS WAGE COMPARABILITY BASED ON PAY AND BENEFITS PREVAILING IN GIVEN LOCALE. HOWEVER, AS PROVIDED IN SECTION 3.4 OF LEC HANDBOOK, WE COULD HAVE USED ONE COMPANY (COMPANY A) FOR COMPARISON INSTEAD OF DOING COMPLETE SURVEY. COMPANY A (UNDP) WAS USED IN OUR LAST SURVEY; DOES A WAGE SURVEY SIMILAR TO OURS REGULARLY; HAS LOCAL PAY RATES CURRENTLY EQUAL TO OUR PROPOSED RATES; AND IS NOW IN PROCESS OF GRANTING ADDITIONAL 20 PERCENT INCREASE TO ITS LOCAL EMPLOYEES. WE DID NOT USE ONLY COMPANY A BECAUSE WE FELT THIS MIGHT DISTORT LOCAL WAGE PICTURE.

3. RE SPECIFIC POINTS RAISED REFTEL:

A. POST NOT AWARE OF A-7452, WHICH TO OUR KNOWLEDGE NEVER INCORPORATED IN HANDBOOK. CSR PROVISIONS AND BENEFITS NEITHER COMPARABLE TO LOCAL STANDARDS NOR ATTRACTIVE TO PROSPECTIVE NEPALI EMPLOYEES. HOWEVER, SINCE NO RPT NO OTHER RETIREMENT PLAN AVAILABLE, POST RECOMMENDED CONTINUATION IN OUR RESPONSE (A-57) TO A-3313. ONLY ALTERNATIVE BASED ON LOCAL PRACTICE WOULD BE NO RPT NO EMPLOYEE CONTRIBUTION DURING EMPLOYMENT AND DIRECT PAYMENT
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OF 1/3 TO 1/2 HIGH THREE SALARY AFTER 20-25 YEARS SERVICE.

THIS WOULD BE FISCAL NIGHTMARE FOR USG. IN ESSENCE, A-7452 WOULD HAVE NEPALESE EMPLOYEES EARNING ROUGHLY ONE TENTH OF AMERICAN WAGES SUBSIDIZING HIGH COST OF CSR FOR AMERICANS. ON THE OTHER HAND, MOST NEPALI EMPLOYERS PICK UP TOTAL COST OF PENSION PLANS FOR DIRECT PAYMENT AT TERMS EQUAL OR BETTER THAN CSR. COST TO SUCH EMPLOYERS IN NEPAL IN ALL PROBABILITY EQUALS OR EXCEEDS 30 PERCENT MENTIONED IN A-7452, IN WHICH CASE OFFSET OF 7 PERCENT SEEMS TO US TO BE TOTALLY REALISTIC.

B. REFTTEL TAKES ISSUE WITH OUR FIGURES ON PROVIDENT FUND AND LOANS FROM FUND. AT SAME TIME, DEPT'S A-7452 DECLARES "THE IMPOSSIBILITY OF EVALUATING THE MONETARY WORTH OF DIFFERENT SYSTEMS." THIS APPLIES FULLY TO THIS TINY, ALMOST FEUDAL, KINGDOM WITH PATERNALISTIC SYSTEM OF EMPLOYEE BENEFITS. WE FIRST TO ADMIT FIGURE OF 10 PERCENT FOR HOUSE LOANS WAS ARBITRARY. HOWEVER, WITH SPIRALING INFLATION HERE AS ELSEWHERE IN WORLD CAUSING RISING LAND AND MATERIALS PRICES, AN EMPLOYEE WHO CAN BUY HOUSE SOONER RATHER THAN LATER HAS TREMENDOUS FINANCIAL ADVANTAGE OVER OTHER EMPLOYEES WHO MUST TRY TO SAVE LARGE DOWNPAYMENT WHILE SAVINGS VALUE SHRINKING. OUR 10 PERCENT FIGURE WAS BASED ON 5 PERCENT AGAINST INFLATION RATE AND 5 PERCENT DIFFERENCE BETWEEN LOCAL 13 PERCENT BANK MORTGAGE RATE AND PROVIDENT FUND 8 PERCENT RATE ON LOANS. (CURRENT INFLATION RATE, IN FACT, IS RUNNING AT APPROXIMATELY 20 PERCENT ON AN ANNUAL BASIS, WITH RATE EVEN HIGHER FOR BASIC COMMODITIES.)

C. RE PARA C REFTTEL, AGREE THAT OFFSET FOR SEVERANCE PAY PROBABLY SHOULD NOT HAVE BEEN USED. HOWEVER, WE SHOULD CALL ATTENTION TO FACT THAT SIX, NOT FIVE, COMPANIES WERE SURVEYED. SHOULD ALSO NOTE FROM WORKSHEETS THAT COMPANY D WHICH IS BRITISH EMBASSY, WAS USED IN ONLY 6 OUT OF 21 POSITIONS AND THAT SALARIES AND BENEFITS, INCLUDING ERRONEOUS PLUS 5.8 OFFSET, PAID BY COMPANY D ARE BY AND LARGE LOWEST IN ALL BUT ONE POSITION COMPARED. IF COMPANY D WERE TO BE DISCARDED AS NON-REPRESENTATIVE EMPLOYER, AVERAGE RATES WOULD BE INCREASED. PERHAPS THIS SHOULD BE DONE.

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ACTION NEA-09

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R 140420Z AUG 74

FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 9188

C O N F I D E N T I A L SECTION 2 OF 2 KATHMANDU 3328

3. HMG HAS RECENTLY BEEN SUGGESTING TO AID DONORS, PARTICULARLY UN, THAT THEY REPLACE FOREIGNERS WITH MORE NEPALESE IN MANAGEMENT OF PROJECTS, ETC. USAID IS CURRENTLY MOVING TOWARD GIVING NEPALESE MORE AND MORE RESPONSIBILITY, SOME FORMERLY HANDLED BY AMERICANS, AND INTENDS CONTINUE TO DO SO EVEN MORE IN FUTURE. FAILURE TO RECOGNIZE THE ABILITIES OF SUCH EMPLOYEES, WHO HAVE SERVED FOR MANY YEARS, IS DETRIMENTAL TO LOCAL EMPLOYEE MORALE.

4 . IN SUMMARY, POST FEELS PROPOSED COMPENSATION PLAN IS REASONABLE AND FAIR WHEN ALL FACTORS CONSIDERED. AID FUNDING HAS BEEN BUDGETED AND IS AVAILABLE FOR THE PROPOSED INCREASE. PER 3 FAM 931.3 URGE FUNDS BE ALLOCATED ENABLE EMBASSY IMPLEMENT PROPOSED PLAN RETROACTIVE TO JULY 7. CONTINUED DELAY COULD CAUSE SEVERE MORALE PROBLEMS IN EMBASSY, AID AND OTHER USG AGENCIES AT POST. HAVE TO KEEP IN MIND THAT CONTINUING COST INCREASES, ESPECIALLY IN BASIC COMMODITIES, HAVE DISPROPORTIONATE ADVERSE EFFECT AMONG LOCAL STAFF, MANY OF WHOM IN THE LOWER GRADES ARE ALREADY LIVING AT BARE SUBSISTENCE LEVEL. DOUBTFUL THAT FEW, IF ANY, LOCAL WAGE LEVELS IN OTHER COUNTRIES LOW AS THEY ARE IN NEPAL, OR THAT OUR REVISED COMPENSATION PLAN WOULD COST AS LITTLE FOR 47 LOCAL EMPLOYEES (SAS \$3,897; STATE \$1,025). GOOD EXAMPLE WOULD BE MIDDLE GRADE NEPALI EMPLOYEE, FSL-4/5, WHO WOULD RECEIVE \$100 ANNUAL INCREASE UNDER PROPOSED PLAN.

5. AS REQUESTED PREVIOUSLY, WOULD APPRECIATE TELEGRAPHIC AUTHORIZATION TO IMPLEMENT REVISED COMPENSATION PLAN IMMEDIATELY, IF NOT RETROACTIVELY.
CARGO

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